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BEFORE THE ARIZONA CORPORATION COMMISSION

WILLIAM A. MUNDELL
Chairman
JIM IRVIN
Commissioner
MARC SPITZER
Commissioner

In the matter of)	
)	DOCKET NO. S-03418A-01-0000
)	
Ronald Lee Keel)	
1849 Viola Drive)	DECISION NO. _____
Sierra Vista, Arizona 85635)	
)	
Donald Ramey)	ORDER TO CEASE AND DESIST, ORDER
211 N. 4 th Street)	OF RESTITUTION, ORDER FOR
Sierra Vista, Arizona 85636)	ADMINISTRATIVE PENALTIES AND
)	CONSENT TO SAME
Meracana Mining Corporation)	BY: RONALD LEE KEEL
1849 Viola Drive)	
Sierra Vista, Arizona 85635,)	
)	
)	
)	
)	
_____ Respondents.)	

Respondent Ronald Lee Keel (“KEEL”) elects to permanently waive any right to a hearing and appeal under Articles 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* (“Securities Act”) with respect to this Order To Cease And Desist, Order Of Restitution, Order For Administrative Penalties And Consent To Same (“Order”). KEEL admits the jurisdiction of the Arizona Corporation Commission (“Commission”); admits, only for purposes of this proceeding and any other administrative proceeding before the Commission or any other agency of the state of Arizona, the Findings of Fact and Conclusions of Law contained in this Order; and consents to the entry of this Order by the Commission.

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I.**FINDINGS OF FACT**

1. KEEL'S last known address is 1849 Viola Drive, Sierra Vista, Arizona 85635.

2. Respondent Meracana Mining Corporation ("MERACANA") was incorporated in Arizona in April 1989.

3. KEEL has been the president, director and treasurer of MERACANA since its incorporation. KEEL attended all directors' meetings and approved the minutes for the meetings.

4. KEEL is the largest shareholder in MERACANA. He currently owns approximately fifty percent of the outstanding shares.

5. Respondent Donald Ramey ("RAMEY") has been a vice-president, director and the secretary of MERACANA since its incorporation until May 3, 2002, when he resigned. RAMEY is the second largest shareholder in MERACANA. He currently owns approximately twenty-four percent of the outstanding shares.

6. As directors, KEEL and RAMEY informally met one to two times per week to discuss operational, financial and other business matters pertaining to MERACANA.

7. KEEL, RAMEY and MERACANA may be collectively referred to as "RESPONDENTS."

8. From approximately May 1992 to April 1999, RESPONDENTS, through KEEL, offered for sale, sold, participated in and induced the sale of stock issued by MERACANA to about twenty-two investors for a total of approximately \$397,948. Many of these investors were friends or relatives of KEEL. Five of these investors are former or current officers/directors of MERACANA or their spouses.

9. From approximately September 1993 to January 1998, RESPONDENTS, through KEEL, offered for sale, sold, participated in and induced the sale of promissory notes issued by MERACANA to about nine investors for a total of approximately \$191,157. Many of these investors

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1 were friends or relatives of KEEL. One of these investors was a former officer/director of
2 MERACANA.

3 10. In approximately October 1993, MERACANA'S wholly owned Costa Rican
4 subsidiary purchased three exploitation concessions and leased one other exploitation concession in
5 Costa Rica. These exploitation concessions gave MERACANA the right to mine for gold and other
6 minerals on the properties covered by the concessions. The total purchase price paid for the three
7 concessions was approximately \$414,000. It is not known what the cost of the leased concession
8 was.

9 11. Currently, MERACANA owns only one of the original three exploitation concessions
10 purchased and does not hold a lease on any exploitation concession in Costa Rica. The concession
11 that MERACANA still owns is referred to as the "Aguabuena." The Aguabuena was the most
12 expensive concession MERACANA purchased.

13 12. MERACANA has never started mining operations in Costa Rica on the Aguabuena,
14 or on any exploitation concession it has owned or leased in the past. Likewise, to date, no gold has
15 been mined by MERACANA in Costa Rica.

16 13. Beginning in approximately 1993, RESPONDENTS attempted to raise at least
17 \$600,000, by issuing stock and promissory notes, to mine for gold on the exploitation concessions it
18 owned and leased in Costa Rica. RESPONDENTS, through KEEL, drafted a project report that was
19 distributed to most if not all of the investors in MERACANA. According to the project report, once
20 funding was received, mining was to begin on the Aguabuena concession and then sampling,
21 development and finally production would start on the other concessions. The project report included
22 the projected expenses and profits for mining some of the concessions and showed how mining
23 would proceed in phases with each phase being more profitable. The last phase of mining on the
24 Aguabuena concession showed a projected net profit of over \$24,000,000.

25 14. The project plan distributed to investors included material misstatements and
26 omissions. These material misstatements and omissions were not rectified with investors before they

1 invested. The project report claimed that the Costa Rican Department of Geology and Mines had
2 certified proven reserves of 7,500 kilograms of gold on the Aguabuena concession. The Costa Rican
3 Department of Geology and Mines never certified proven reserves of gold on the Aguabuena. The
4 Costa Rican Department of Geology and Mines only accepted the estimated reserves of gold on the
5 Aguabuena concession reported to it by a geologist hired by RESPONDENTS. No financial
6 statements, i.e., balance sheet and income statement, were disclosed in the project report or provided
7 to investors. The cost to purchase the three exploitation mining concessions in Costa Rica and the
8 cost of leasing a mining exploitation concession in Costa Rica were not disclosed in the project report
9 or provided to investors. No disclosure of the risks of gold mining, particularly in Costa Rica, was
10 ever made to investors.

11 15. In addition, no disclosure was made to investors that in October 1995, KEEL signed a
12 loan agreement jointly with his spouse and on behalf of MERACANA by which he could take cash
13 advances from MERACANA funds. The cash advances were treated as loans by the corporation to
14 KEEL and his wife. The cash advances bore interest at the rate of 8.5% and were to be repaid from
15 future dividends by MERACANA. MERACANA has never paid a dividend. From approximately
16 October 1995 to the present, KEEL received cash advances of at least \$50,000 from MERACANA in
17 accordance with this agreement. KEEL has not repaid any of these cash advances.

18 II.

19 CONCLUSIONS OF LAW

20 1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona
21 Constitution and the Securities Act.

22 2. KEEL offered or sold securities within or from Arizona, within the meaning of A.R.S.
23 §§ 44-1801(15), 44-1801(21), and 44-1801(26).

24 3. KEEL violated A.R.S. § 44-1841 by offering or selling securities that were neither
25 registered nor exempt from registration.

26 . . .

1 4. KEEL violated A.R.S. § 44-1842 by offering or selling securities while neither
2 registered as a dealer or salesman nor exempt from registration.

3 5. KEEL violated A.R.S. § 44-1991 by (a) making untrue statements or misleading
4 omissions of material facts, and (b) engaging in transactions, practices or courses of business
5 which operate or would operate as a fraud or deceit upon offerees and investors. This conduct
6 includes but is not limited to the following:

7 a. Misrepresented to investors that the Costa Rican Department of Geology and
8 Mines had certified proven reserves of 7,500 kilograms of gold on the Aguabuena concession
9 when the Costa Rican Department of Geology and Mines never certified proven reserves on this
10 concession but only accepted the reported reserves of gold on the concession.

11 b. Failed to disclose to investors financial statements, i.e., balance sheet and
12 income statement. Since financial statements were not disclosed, investors could not ascertain the
13 financial condition of MERACANA.

14 c. Failed to disclose to investors the cost to purchase the three exploitation mining
15 concessions in Costa Rica and the cost of leasing a mining exploitation in Costa Rica.

16 d. Failed to disclose to investors the risk of gold mining, particularly in Costa
17 Rica.

18 e. Failed to disclose to investors that KEEL was taking cash advances from
19 MERACANA'S funds, the sum of the cash advances which increased to at least \$50,000, that the
20 cash advances were to be repaid from future dividends by MERACANA and that none of the cash
21 advances had been repaid by KEEL.

22 6. KEEL, as an officer, director and major shareholder of MERACANA, directly or
23 indirectly controlled MERACANA within the meaning of A.R.S. § 44-1999(B). Therefore, KEEL
24 is jointly and severally liable with and to the same extent as MERACANA for its violations of
25 A.R.S. § 44-1991.

26 . . .

7. KEEL, as an officer, director and major shareholder of MERACANA, made, participated in and induced the unlawful sale of securities within the meaning of A.R.S. § 44-2003(A). Therefore, KEEL is jointly and severally liable with RAMEY and MERACANA for the above violations of A.R.S. § 44-1841, A.R.S. § 44-1842 and A.R.S. § 44-1991.

8. KEEL'S conduct is grounds for a cease and desist order pursuant to A.R.S. § 44-2032.

9. KEEL'S conduct is grounds for an order of restitution pursuant to A.R.S. § 44-2032.

10. KEEL'S conduct is grounds for administrative penalties under A.R.S. § 44-2036.

III.

ORDER

THEREFORE, on the basis of the Findings of Fact, Conclusions of Law, and KEEL'S consent to the entry of this Order, the Commission finds that the following relief is appropriate, in the public interest, and necessary for the protection of investors:

IT IS ORDERED, pursuant to A.R.S. § 44-2032, that KEEL, and any of KEEL'S agents, employees, successors and assigns, permanently cease and desist from violating the Securities Act.

IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that KEEL shall, jointly and severally with any co-respondent so ordered be liable for restitution to investors shown on the records of the Commission, excluding any present or former officers/directors of MERACANA and their spouses along with any individuals related to RESPONDENTS, in the amount of \$136,439, plus interest at the rate of 10% per annum from the date of this Order until paid in full. Payment shall be made by cashier's check or money order payable to the "State of Arizona" to be placed in an interest-bearing account maintained and controlled by the Arizona Attorney General. The Arizona Attorney General shall disburse the funds on a pro rata basis to investors. Any funds that the Attorney General is unable to disburse shall revert to the state of Arizona.

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1 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that KEEL shall be liable for
2 an administrative penalty in the amount of \$15,000, plus interest at the rate of 10% per annum
3 from the date of this Order until paid in full. Payment shall be made by cashier's check or money
4 order payable to the "State of Arizona."

5 IT IS FURTHER ORDERED that this Order shall become effective immediately.

6 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

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9 CHAIRMAN

COMMISSIONER

COMMISSIONER

10 IN WITNESS WHEREOF, I, BRIAN C. McNEIL,
11 Executive Secretary of the Arizona Corporation
12 Commission, have hereunto set my hand and caused the
13 official seal of the Commission to be affixed at the
14 Capitol, in the City of Phoenix, this _____ day of
15 _____, 2002.

16 _____
BRIAN C. McNEIL
Executive Secretary

17
18 _____
DISSENT

19
20 This document is available in alternative formats by contacting Shelly M. Hood, Executive
21 Assistant to the Executive Secretary, voice phone number 602-542-3931, E-mail
shood@cc.state.az.us.

22
23 (tbb)

CONSENT TO ENTRY OF ORDER

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2 1. KEEL, an individual, admits the jurisdiction of the Commission over the subject matter
3 of this proceeding. KEEL acknowledges that he has been fully advised of his right to a hearing to
4 present evidence and call witnesses and KEEL knowingly and voluntarily waives any and all rights
5 to a hearing before the Commission and all other rights otherwise available under Article 11 of the
6 Securities Act and Title 14 of the Arizona Administrative Code. KEEL acknowledges that this
7 Order To Cease and Desist, Order Of Restitution, Order For Administrative Penalties And Consent
8 To Same ("Order") constitutes a valid final order of the Commission.

9 2. KEEL knowingly and voluntarily waives any right under Article 12 of the Securities
10 Act to judicial review by any court by way of suit, appeal, or extraordinary relief resulting from the
11 entry of this Order.

12 3. KEEL acknowledges and agrees that this Order is entered into freely and voluntarily
13 and that no promise was made or coercion used to induce such entry.

14 4. KEEL acknowledges that he has chosen not to be represented by counsel in this matter,
15 he has reviewed this Order and understands all terms it contains.

16 5. KEEL admits, only for purposes of this proceeding and any other administrative
17 proceeding before the Commission or any other agency of the state of Arizona, the Findings of
18 Fact and Conclusions of Law contained in this Order.

19 6. By consenting to the entry of this Order, KEEL agrees not to take any action or to
20 make, or permit to be made, any public statement denying, directly or indirectly, any Finding of
21 Fact or Conclusion of Law in this Order or creating the impression that this Order is without
22 factual basis. KEEL will undertake steps necessary to assure that all of his agents and employees
23 understand and comply with this agreement.

24 7. While this Order settles this administrative matter between KEEL and the Commission,
25 KEEL understands that this Order does not preclude the Commission from
26 . . .

1 instituting other administrative proceedings based on violations that are not addressed by this
2 Order.

3 8. KEEL understands that this Order does not preclude the Commission from referring
4 this matter to any governmental agency for administrative, civil, or criminal proceedings that may
5 be related to the matters addressed by this Order.

6 9. KEEL understands that this Order does not preclude any other agency or officer of the
7 state of Arizona or its subdivisions from instituting administrative, civil or criminal proceedings
8 that may be related to matters addressed by this Order.

9 10. KEEL agrees that he will not apply to the state of Arizona for registration as a
10 securities dealer or salesman or for licensure as an investment adviser or investment adviser
11 representative at any time in the future.

12 11. KEEL agrees that he will not exercise any control over any entity that offers or sells
13 securities, within or from Arizona, unless the securities and the salespersons are registered.

14 12. KEEL agrees that he will not exercise any control over any entity that provides
15 investment advisory services, within or from Arizona.

16 13. KEEL agrees that until restitution and penalties are paid in full, KEEL will notify the
17 Director of the Securities Division within 30 days of any change in home address or any change in
18 KEEL'S ability to pay amounts due under this Order.

19 14. KEEL understands that default shall render him liable to the Commission for its costs
20 of collection and interest at the maximum legal rate.

21 15. KEEL agrees that he will continue to cooperate with the Securities Division including,
22 but not limited to, providing complete and accurate testimony at any hearing in this matter and
23 cooperating with the state of Arizona in any related investigation or any other matters arising from
24 the activities described in this Order.

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1 16. KEEL consents to the entry of this Order and agrees to be fully bound by its terms and
2 conditions. If KEEL breaches any provision of this Order, the Commission may vacate this Order
3 and restore this case to its active docket.

4
5 _____
6 RONALD LEE KEEL

7 SUBSCRIBED AND SWORN TO BEFORE me this ____ day of _____, 2002.

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9 _____
10 NOTARY PUBLIC

11 My Commission Expires:
12 _____

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14 _____
15 LISA P. KEEL, Agent For Ronald L. Keel
Pursuant to General Durable Financial Power of
Attorney

16 SUBSCRIBED AND SWORN TO BEFORE me this ____ day of _____, 2002.

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18 _____
19 NOTARY PUBLIC

20 My Commission Expires:
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